

Cash Receipts - Handling, Depositing, and Recording

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Purpose

This policy defines the policies and procedures associated with:

1. Good cash handling practices (proper receipting, safeguarding, depositing), and
2. Recording in the state financial systems monies that are received by state departments and agencies.

Policy References

The following additional policies are related to this policy and contain policies and clarifications not repeated here. (Cross-referenced policies are located in the BANK ACCOUNTS section of this manual unless otherwise noted.)

- ◆ Set-up or closure of departmental depository bank accounts and trust accounts.
- ◆ Set up or closure of imprest accounts (petty cash and travel) and trust accounts.
- ◆ Reconciliation of bank accounts with FINET.
- ◆ Accepting credit cards for payment of services or fees. See the **Revenue – Credit Cards** policy in the REVENUE section of this manual.

Definitions

<i>State Funds</i>	Cash or monies that are received, owned, held, or administered by departments and agencies of the State, regardless of the source of the funds.
<i>Cash or Monies</i>	Checks, currency, electronic funds transfer or any type of electronic payment, and credit card payments.
<i>Depository Account</i>	A bank account, set up for a department under the Bank Accounts – Depository policy, used by a department to deposit money that is transferred into the Treasurer's main bank account. In FINET, when recording deposits into a depository account, the balance sheet code 0010 is always used. Hence, a depository account is sometimes referred to as the "0010 account" or the "ten account."

Background

The primary process used by departments and agencies for recording state monies into the state's financial system is by entering and processing a FINET Cash Receipt (CR) document. FINET Journal Voucher (JV) documents, whether electronically interfaced or manually entered, are used only by the Division of Finance **or** by departments and agencies with written permission from the Division of Finance.

- A. The FINET Cash Receipt (CR) document records the deposit of state funds into the balance sheet code 0010 depository cash account. If a department needs to record monies into any cash account

other than the depository 0010 account, they should contact the Division of Finance for assistance.

- B. A CR document may or may not be associated with a revenue. See the **Revenues – Overview** policy in the REVENUE section of this manual for when a revenue or a deferred revenue should be recorded.
- C. The CR document also records refunds of expenditures, collections against receivables including overpayments, or any other reason where monies are deposited into the depository 0010 account. Background for these uses is discussed below.
- D. Refunds of expenditures are monies received which represent the recovery of an expenditure. Refunds of expenditures are an exception and not a regular business operation. Refunds of expenditures should not be used if a department is collecting monies for services provided to others. Unless specifically required under the terms of a Federal grant, Federal grants that reimburse for services are not refunds of expenditure. Examples of refunds of expenditures are:
 - 1. Reimbursement for merchandise purchased and then returned to the vendor.
 - 2. The refund of erroneous payments made by the State, such as a duplicate payment or overpayment to an outside party.
 - 3. Recoupment of an expenditure made by the state wherein the State was acting only as a collecting and/or a disbursing agency for a third party.
 - 4. Collection by the State from a third party for an expenditure that, if the facts were known at the time, should have been made by the third party to begin with. (Example would be an insurance company reimbursing the State for medical expenses paid by the State in behalf of a policy holder.)
- E. Collections against receivables are monies received by the State as payment for outstanding amounts owed to the State.
- F. Overpayments are monies received by the State in excess of the amount owed to the State. If the overpayment should be refunded to the party who paid the money, then the overpayment should be recorded as a liability until paid back. If the overpayment will be earned in the next fiscal year end, the overpayment should be recorded as deferred revenue. See the **Revenues – Overview** policy in the REVENUE section of this manual for policies on deferred revenues.

Policy

- A. Each department is responsible to establish written departmental procedures that provide for good internal controls to ensure that all monies received are properly receipted, safeguarded, deposited, and recorded in the State's accounting system (FINET) as follows:
 - 1. Require proper separation of duties, including requiring someone without access to cash or monies received to review documentation and records to ensure that all cash or monies have been properly receipted, deposited, and recorded.
 - 2. Safeguard the cash receipts and ensure monies are deposited in the bank daily whenever practical but not less than once every 3 days, unless given a written variance from the State Treasurer, according to state law (UCA 51-4-1).

3. Include procedures for retaining and filing adequate supporting cash receipt documentation.
 4. Use correct FINET coding blocks or reference the correct Receivable (RE) or Federal Invoice (IN) documents on Cash Receipt transactions.
 5. Provide for restrictive endorsement of all checks immediately upon receipt.
 6. Provide for proper reconciliation of deposits to validated deposit slips and to the bank statement.
- B. Unless approved by the Division of Finance, State agencies should use the FINET Cash Receipts (CR) document to record cash receipts. CRs are to be entered in FINET on the same day that deposits are made.
- C. At fiscal yearend, cash receipts received by a department (at the main or satellite offices or by agency personnel out in the field) or by the State Treasurer on or before the last day of the fiscal year are to be recorded as old year cash receipts, regardless of when they are deposited. Cash receipts received by the State Treasurer or by a department after the last day of the fiscal year are to be recorded as new year cash receipts.
- D. Except for refund of expenditures for programs that receive federal funds, monies received for refund of expenditures after the close out of the fiscal year in which the expenditure was made are to be deposited as free revenue to the appropriate fund in the current fiscal year. Agencies should contact State Finance for assistance.
- E. If a department needs clarification on the proper classification of monies received or if any of this policy statement conflicts with federal regulations contact the Division of Finance.
- F. All supporting documentation for CR transactions will be filed and maintained by the department at department locations. These documents must be retained for three years for Division of Finance requirements, or longer if required by department retention schedules as arranged with State Archives.

Procedures

Responsibility

Action

Receipting

Departments/Agencies

1. Establish written procedures for receipting cash as outlined in policy above.
2. Ensure that cash is reconciled against receipts before deposits are made.
3. Assign a responsible person to receive all monies and prepare receipts for all monies received.
4. Use pre-numbered hand-written receipts or issue receipts from a cash register or other automated receipting functions.
5. On a daily basis, deposit the money directly in a department depository bank account in the name of the State Treasurer, or deposit the money through the State Treasurer's Office to a department depository bank account. State law requires that cash receipts be deposited within three days of receipt, unless given a written variance from the State Treasurer.
6. Monitor closely the cash receipts process to ensure that it complies with department and State Finance policy policies and procedures.

Depositing

Departments/Agencies

1. When depositing cash receipts directly, fill out a three-part deposit slip and take the original and a copy of the deposit slip along with the monies to the department depository bank for deposit. Retain the copy of the bank validated deposit slip for reconciliation purposes.
2. Where utilizing a security service to make the deposit, keep a copy of the deposit slip to be used for reconciliation purposes.
3. As a convenience, the State Treasurer will allow departments and agencies on Capitol Hill to bring their deposits to the Treasurer's Office for deposit. These departments and agencies keep a copy of the deposit slip for reconciliation purposes and deliver the deposit slip and deposit to the State Treasurer's Office.

State Treasurer

Take the deposits to the bank for those departments and agencies depositing through the State Treasurer.

Departments/Agencies

Departments and agencies do not have to submit documentation of deposits to the Treasurer.

State Treasurer

The State Treasurer or the financial institution will initiate transfers from depository banks to the State Treasurer's concentration account.

Accounting

Departments

1. Record cash receipts using a FINET Cash Receipts (CR) document.
2. The following additional cash receipts topics are discussed elsewhere in this manual and are not repeated here:
 - ♦ Entering a Cash Receipts (CR) document. See the **CR – Cash Receipts** in the DOCUMENTS section of this manual.
 - ♦ Entering a Journal Voucher (JV) document. See the **JV – Journal Voucher** policy in the DOCUMENTS section of this manual.
 - ♦ Using Automatic document numbering. See the **FINET – Documents – Document Numbering** in the FINET – OVERVIEW section of this manual.
 - ♦ Processing FINET documents. See the **FINET – Documents** policy in the FINET – OVERVIEW section of this manual.

Departments/Agencies

1. File all supporting documentation (deposit slips, receipts, etc.) and attach it to a sheet that has the transaction total, the FINET document number, and accounting distribution on it.
2. The attached cover sheet can be of a department's choosing. Departments could choose to use the paper Cash Receipts transaction form developed by the Division of Finance (FI 33 or FI 33T) or a print screen of the entry document.
3. It is very important to maintain these files, as **there will not be a central file kept in the Division of Finance**. The files become the audit trail for the State Auditor. These files must be retained for three years for Division of Finance requirements, or longer if required by department retention schedules as arranged with State Archives.